

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201842008**  
Release Date: 10/26/2018  
Date: **July 24, 2018**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

LEGEND

UIL: 4945.04-04

N= Specialty  
x dollars= Amount

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code Section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program.

Your purpose is to improve the art and science of N by making grants to projects that contribute to the body of knowledge and supporting educational programming related to the field of N.

The purpose of your program is to provide scholarships to highly qualified students who are enrolled or plan to enroll in a field of study related to N at an accredited institution of post-secondary higher education in the United States to help finance tuition, books and

other educational costs. Your program will be publicized on your website and through accredited institutions.

The number and amount of scholarships will be determined by your budget in the year prior to soliciting applications in the range of x dollars not subject to additional amounts or renewals by the award recipients. All grants are nonrenewable.

Eligible students include those who are currently enrolled or students planning to enroll in an accredited institution in the United States who (a) contribute to the diverse background of their school's student body, (b) demonstrate strong academic achievement, and (c) demonstrate an interest in improving the art and science of N.

The scholarships are awarded on an objective and non-discriminatory basis by a Scholarship Committee. Members of your Scholarship Committee are appointed by your Board of Directors whose members represent the fields of N, business, nonprofit management, law, and finance and will make the final selection of, and approval of all award recipients.

Your Scholarship Committee will be chaired by a member of your Board of Directors but Scholarship Committee members are not required to be a board member and are selected based on their expertise and experience related to determining an applicant's eligibility. Relatives of members of the Scholarship Committee or your directors, officers, or other disqualified persons are not eligible to receive awards. Further, you will review each applicant to determine whether there are any such relationships.

Your Scholarship Committee reviews applications and makes recommendations to your Board of Directors using criteria consisting of school enrollment, academic performance, a contribution to the diversity of the applicant's school, and an interest in improving the art and science of N. Your Board of Directors then makes final selection of, and approves, all award recipients.

You expect to pay the scholarships directly to the accredited institution, who will then distribute the funds to students who are in good standing. However, you may also disburse scholarships directly to recipients. If you pay grants directly to recipients, you will require the recipient to provide documentation that the funds were expended for the scholarship's purpose.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the grants described above.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code Section 117(a).
- The grant is to be used for study at an educational organization described in Code Section 170(b)(1)(A)(ii).

### **Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements